

BELL KNIT INDUSTRIES LIMITEDFINANCIAL STATEMENTSFOR YEAR ENDED DECEMBER 31, 1975



GREENWOOD, MELTZ, SILVERSTEIN AND HERLICK

*Chartered Accountants*

AUDITORS' REPORT TO SHAREHOLDERS

We have examined the balance sheet of Bell Knit Industries Limited as at December 31, 1975 and the related statements of operations, deficit account and changes in financial position for the year ended on that date. We have made a general review of the accounting procedures and have made such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.


Depreciation on the fixed assets has not been recorded for 1975 and 1974. In our opinion this is not in accordance with generally accepted accounting principles. Had depreciation been recorded, the depreciation for the year would have amounted to \$34,134, the accumulated depreciation to December 31, 1975 would have amounted to \$632,580, the net loss for the year would have amounted to \$137,092 and the shareholders' equity would have amounted to \$ 461,714.

In our opinion, except for the failure to provide for depreciation and to make related adjustments as set out in the preceding paragraph the accompanying financial statements present fairly the financial position of the company as at December 31, 1975 and the result of its operations and changes in financial position for the period under review, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Greenwood Meltz Silverstein and Herlick*  
Greenwood, Meltz, Silverstein and Herlick

Willowdale, February 5, 1976





Digitized by the Internet Archive  
in 2023 with funding from  
University of Alberta Library

[https://archive.org/details/Bell0100\\_1975](https://archive.org/details/Bell0100_1975)

BELL KNIT INDUSTRIES LIMITED  
(Incorporated under the Laws of Canada)

BALANCE SHEET

AS AT DECEMBER 31, 1975

(With comparative figures for 1974)

ASSETS

	<u>1975</u>	<u>1974</u>
Current		
Cash on hand and in bank	\$ 13,576	\$ 142
Accounts receivable less allowance for doubtful accounts (1975 - \$9,065; 1974 - \$11,472)	217,534	161,748
Inventory - at lower of cost or net realizable value less normal profit margin	182,738	540,542
Debenture receivable - current portion (note 2)	25,000	-
Prepaid expenses and sundry assets	<u>9,822</u>	<u>10,954</u>
	448,670	713,386
Debenture receivable less current portion (note 2)	<u>135,000</u>	<u>-</u>
Investment in shares of wholly-owned subsidiary - Bell Knitting Mills (1964) Limited - at cost	722,200	722,200
Less - note payable to subsidiary (note 3)	<u>419,830</u>	<u>419,830</u>
Net investment (note 4)	<u>302,370</u>	<u>302,370</u>
Fixed - at cost less accumulated depreciation - per statement #2 (note 6)	<u>514,944</u>	<u>632,901</u>
Other		
Refinancing expense	1,643	1,643
Patents and trademarks	<u>990</u>	<u>990</u>
	2,633	2,633
Total assets	<u>\$ 1,403,617</u>	<u>\$ 1,651,290</u>

The accompanying notes form an integral part of the financial statements.

To be read with our report of February 5, 1976.





LIABILITIES

	<u>1975</u>	<u>1974</u>
Current		
Bank indebtedness (note 5)	\$ 671,434	\$ 693,910
Accounts payable and accrued liabilities	123,384	160,510
Debenture payable - Estate of Minnie Rotman	-	84,914
Federal and provincial taxes payable	<u>2,097</u>	<u>2,382</u>
Total liabilities	<u>796,915</u>	<u>941,716</u>

SHAREHOLDERS' EQUITY

## Capital stock

## Authorized

1,250,000 Common shares - no par value

## Issued and fully paid

587,189 Common shares	922,695	922,695
Deficit account - per statement #3	<u>(315,993)</u>	<u>(213,121)</u>
Total shareholders' equity	606,702	709,574

Total liabilities and shareholders' equity	<u>\$ 1,403,617</u>	<u>\$ 1,651,290</u>
--	---------------------	---------------------

The accompanying notes form an integral part of the financial statements.

Approved on behalf of the board of directors:





BELL KNIT INDUSTRIES LIMITEDSTATEMENT OF FIXED ASSETSAS AT DECEMBER 31, 1975

(With comparative figures for 1974)

	1975		1974			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 80,000	\$ -	\$ 80,000	\$ 80,000	\$ -	\$ 80,000
Buildings	324,798	35,644	289,154	324,798	35,644	289,154
Machinery and equipment	569,736	441,787	127,949	749,815	506,615	243,200
Vehicles	15,458	4,723	10,735	20,980	7,539	13,441
Leasehold improvements	<u>12,631</u>	<u>5,525</u>	<u>7,106</u>	<u>12,631</u>	<u>5,525</u>	<u>7,106</u>
	<u>\$ 1,002,623</u>	<u>\$ 487,679</u>	<u>\$ 514,944</u>	<u>\$ 1,188,224</u>	<u>\$ 555,323</u>	<u>\$ 632,901</u>
		(note 6)			(note 6)	

The accompanying notes form an integral part of the financial statements



BELL KNIT INDUSTRIES LIMITED  
STATEMENT OF DEFICIT ACCOUNT  
FOR YEAR ENDED DECEMBER 31, 1975  
 (With comparative figures for 1974)

	<u>1975</u>	<u>1974</u>
Deficit account		
Balance - January 1	\$ 213,121	\$ 152,048
Add - prior years tax adjustment	(86)	-
- net loss	<u>102,958</u>	<u>61,073</u>
Balance - December 31	<u>\$ 315,993</u>	<u>\$ 213,121</u>

STATEMENT OF OPERATIONS  
FOR YEAR ENDED DECEMBER 31, 1975  
 (With comparative figures for 1974)

Sales	( \$ 1,157,560 )	( \$ 1,205,239 )
Loss before the following:	<u>\$ 153,223</u>	<u>\$ 628</u>
- Interest on debenture	5,286	6,444
- Directors' remuneration	<u>54,001</u>	<u>54,001</u>
	<u>59,287</u>	<u>60,445</u>
Net loss before extraordinary items	<u>( 212,510 )</u>	<u>( 61,073 )</u>
Gain on royalty settlement (net)	6,959	-
Gain on sale of equipment	<u>102,593</u>	<u>-</u>
	<u>109,552</u>	<u>-</u>
Net loss - transferred to deficit account	<u>\$ 102,958</u>	<u>\$ ( 61,073 )</u>

The accompanying notes form an integral part of the financial statements





BELL KNIT INDUSTRIES LIMITEDSTATEMENT OF CHANGES IN FINANCIAL POSITIONFOR YEAR ENDED DECEMBER 31, 1975

(With comparative figures for 1974)

	<u>1975</u>	<u>1974</u>
Source of funds		
Net proceeds from sale of equipment	\$ 220,636	\$ -
Application of funds		
Net loss - per statement #3	102,958	61,073
Add - gain on sale of equipment	<u>102,593</u>	<u>-</u>
	205,551	61,073
Fixed asset additions	-	1,605
Debenture on sale of equipment less current portion	135,000	-
Reduction of long term liabilities - debenture payable	-	84,914
Repayment - notes payable to subsidiary	<u>-</u>	<u>50</u>
	<u>340,551</u>	<u>147,642</u>
(Decrease) increase in working capital deficit	(119,915)	147,642
Working capital deficit - beginning of year	<u>228,330</u>	<u>80,688</u>
Working capital deficit - end of year	<u>\$ 348,245</u>	<u>\$ 228,330</u>

The accompanying notes form an integral part of the financial statements





BELL KNIT INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR YEAR ENDED DECEMBER 31, 1975

1. Letters of credit outstanding - U.S. \$24,000 (1974 U.S. \$72,500)
2. Debentures receivable  
The debenture provides for repayment of \$1,500 per month from January 1, 1976 to May 1, 1976, and \$2,500 per month from June 1, 1976 to June 1, 1981 together with interest on the full principal amount outstanding from time to time. Such interest to be calculated at a rate adjusted monthly to one and one-half percent (1½%) above the immediately preceding month-end prime rate charged by the Royal Bank of Canada, such interest to be calculated from June 1, 1976.
3. Note payable  
The note payable, an unsecured note, without interest is due on May 29, 1979.
4. Net investment in wholly owned subsidiary - (non-operating)  
The net investment in the wholly owned subsidiary represents -
  - (a) The value of 6,750 shares of Bell Knit Industries Limited acquired prior to acquisition and retained by the subsidiary, and
  - (b) The excess of the company's cost for the shares of the wholly owned subsidiary over the book value of the subsidiary's fixed assets at the time of acquisition.
5. Bank indebtedness  
The bank indebtedness amounting to \$671,434 is secured by -
  - (a) Assignment of book debts.
  - (b) Assignment of inventory under Section 88 of the Bank Act.
  - (c) Floating charge debenture in the amount of \$1,000,000.
6. Depreciation  
The current years' operations have not been charged with depreciation, had depreciation in the amount of \$34,134 (based on book values) been recorded, the net loss would have been \$137,092. The maximum normal capital cost allowance available for income tax purposes for the current year (excluding the Kincardine property) amounted to \$47,149.

